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**FOURTEEN INDICTED ON FEDERAL SECURITIES CHARGES FOR
BILKING INVESTORS IN \$2 MILLION "BOILER ROOM" SCHEME**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced the unsealing today in Manhattan federal court of an Indictment charging 14 former officers and employees of Lloyd Wade Securities ("Lloyd Wade"), a now-defunct securities broker-dealer, with participating in a fraudulent scheme to manipulate trading in NetBet, Inc. ("NetBet"), an Internet gaming company. The defendants charged in the Indictment are Lloyd Wade's former trader and 13 former Lloyd Wade stock brokers.

According to the Indictment, from about December 1996 to about January 1999, Lloyd Wade served as a "market maker" in the securities of NetBet, a Nevada corporation with its principal office in Newport Beach, California, which was engaged in the business of developing software, security, and transaction

techniques for gaming over the Internet. NetBet's securities were listed on the over-the-counter "Bulletin Board" market. In its capacity as a market maker, Lloyd Wade handled approximately 70 percent of all retail trading in NetBet securities, according to the Indictment.

The Indictment alleges that the defendants and other co-conspirators engaged in a scheme to manipulate trading in NetBet securities that defrauded Lloyd Wade's customers out of more than \$2 million. According to the charges, the defendants and their co-conspirators arranged to obtain large blocks of NetBet securities at below-market prices, stimulated artificial investor demand in the public market for NetBet securities by using fraudulent "boiler room" sales tactics, and then sold the NetBet securities into the artificial demand they had created.

According to the Indictment, Lloyd Wade Head Trader MICHAEL NIEBUHR and others entered into secret and undisclosed arrangements for Lloyd Wade to purchase NetBet securities from co-conspirators at below-market prices, then determined the price at which Lloyd Wade would sell NetBet securities to the public on a given day. This price was based on, among other factors, the number of shares of NetBet securities that Lloyd Wade could purchase from certain co-conspirators on a particular day, the price Lloyd Wade would pay for these shares, and the amount of profit per share that the defendants sought to generate through

the sale of NetBet securities, the Indictment alleges.

The Indictment charges that to induce sales of NetBet securities at the predetermined price, NIEBUHR and other co-conspirators paid secret bribes to the 13 stock broker defendants. These bribes were paid separately and in addition to the brokers' normal commission payments and typically equaled 25 to 50 percent of the total amount of each customer transaction in NetBet securities, it is alleged.

According to the Indictment, the broker defendants used a variety of fraudulent and deceptive "boiler room" tactics to induce retail customers to purchase and hold NetBet securities, including high-pressure, false, and misleading sales pitches intended to convince customers to purchase NetBet securities. For example, in many instances relying on printed sales scripts, the broker defendants allegedly falsely represented to customers that they possessed information regarding pending legislation to legalize internet gambling in the United States, which would cause the price of NetBet securities to rise, and falsely claimed to have personal relationships with NetBet executives.

According to the Indictment, to maintain the price of NetBet securities at a level sufficient to generate profits for members of the scheme, the broker defendants also refused to execute customers' orders to sell NetBet securities, or failed to execute such orders in a timely fashion. If customers persisted

in their desire to sell NetBet securities, the broker defendants employed a number of techniques to avoid or delay sales, including (a) avoiding customer telephone calls, (b) transferring customer calls to other brokers, and (c) failing to write out sales tickets, it was alleged.

The defendants charged in the Indictment unsealed today are:

MICHAEL NIEBUHR, 50, a resident of Haleiwa, Hawaii.

ANTHONY BISCEGLIE, 35, a resident of Seacaucus, New Jersey.

RICHARD LAGRECA, 38, a resident of Fairfield, New Jersey.

MICHAEL GIANGREGORIO, 32, a resident of Staten Island, New York.

NICHOLAS CIANCIARUSO, 31, a resident of Staten Island, New York.

MICHAEL COLAIACOVO, JR., 30, a resident of Kinnelon, New Jersey.

RICHARD WILLIAMS, JR., 30, a resident of Wayne, New Jersey.

RAFFI OGHLIAN, 28, a resident of Westwood, New Jersey.

RALPH DELUCA, 27, a resident of Madison, New Jersey.

DAMON PICCOLO, 32, a resident of Staten Island, New York.

JAMES MORGAN, JR., 34, a resident of Denton, Texas.

FRANK CARDONE, 28, a resident of Nutley, New Jersey.

EDWARD MACHADO, 31, a resident of South Salem, New York.

EDWARD GOMEZ, 35, a resident of Massapequa, New York.

Each of the defendants is charged in the Indictment with one count of conspiracy and one count of securities fraud. The conspiracy charge carries a maximum sentence of 5 years in prison and a fine of \$250,000 fine, or twice the gross gain or loss resulting from the crime. The securities fraud count carries a maximum sentence of 10 years in prison and a maximum fine of \$1,000,000 fine, or twice the gross gain or loss resulting from the crime.

Twelve of the defendants have been arrested thus far and include BISCEGLIE, LAGRECA, CIANCIARUSO, COLAIACOVO, JR., WILLIAMS, JR., OGHLIAN, DELUCA, PICCOLO, CARDONE, MACHADO, and GOMEZ, who were arrested this morning and are expected to be arraigned before a United States Magistrate Judge in Manhattan later today.

Mr. KELLEY praised the efforts of the Federal Bureau of Investigation in the investigation of this case. Mr. KELLEY thanked the United States Securities and Exchange Commission and NASD for their assistance in this matter.

Assistant United States Attorneys DAVID B. ANDERS and

JOSHUA A. LEVINE are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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